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Message Text

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70
ACTION ARA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 PA-01 PRS-01

USIA-06 /086 W
---------- 055106
R 122136Z DEC 74
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6933
INFO AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY TEGUCIGALPA
AMEMBASSY LIMA
AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L CARACAS 12258

GUATEMALA ALSO FOR ROCAP

EO 11652: GDS
TAGS: PFOR EFIN ENRG XK PE VE
SUBJECT: WILL VENEZUELA GRANT PREFERENTIAL OIL PRICES?

REF: (A) TEGUCIGALPA 5262; (B) SAN SALVADOR 4374; (C) CARACAS 12026

1. PRESS STORIES FROM CENTRAL AMERICA, NOTABLY FROM LA NACION
IN SAN JOSE, APPEARED IN CARACAS NEWSPAPERS THIS WEEK TO EFFECT THAT
VENEZUELA WILL SELL PETROLEUM TO CENTRAL AMERICAN COUNTRIES AT
"1972 PRICES." THESE ARTICLES OBVIOUSLY REFLECT INFORMATION REPORTED
IN REFTELS AND WERE REPEATED IN CARACAS PRESS AS PART OF THE COVERAGE
OF THE CENTRAL AMERICAN CHIEFS OF STATE MEETING NOW IN PROGRESS IN
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CIUDAD GUAYANA. FROM LIMA CAME ANOTHER REPORT, DURING PRESIDENT

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PEREZ'S VISIT TO PERU, THAT ANY MOMENT VENEZUELA WOULD SIGN AN AGREEMENT TO SELL OIL TO PERU "UNDER A SYSTEM OF SPECIAL FINANCING." THERE HAVE ALSO BEEN OTHER REPORTS TOO NUMEROUS TO DETAIL HERE.

2. APPARENTLY REACTING TO THIS BUILD UP OF PUBLIC PRESSURE, PRESIDENT PEREZ WAS REPORTED IN THE CARACAS EL UNIVERSAL OF DECEMBER 11 TO HAVE ANNOUNCED IN LIMA THE PREVIOUS DAY THE STANDARD GOV POLICY THAT THERE WILL BE NO REPEAT NO PREFERENTIAL OIL PRICES FOR LATIN AMERICAN COUNTRIES. THE REASON FOR THIS POLICY, ACCORDING TO REPORT, IS NOT TO CAUSE SUFFERING TO OTHER COUNTRIES SUCH AS VENEZUELA HAS EXPERIENCED BY THE "CAPRICIOUS FINANCIAL MANIPULATIONS OF THE WORLD ECONOMIC GIANTS," BUT TO BRING EQUILIBRIUM IN VENEZUELA'S COMMERCIAL EXCHANGE WITH THE INDUSTRIAL NATIONS. PREFERENTIAL PRICES WOULD PROVOKE A LOWER WORLD PRICE FOR OIL, WHICH IS THE LAST THING DESIRED BY VENEZUELA.

3. PRESIDENT PEREZ REPORTEDLY SAID THAT VENEZUELA IS DISCUSSING ARRANGEMENTS WITH PERU AND ARGENTINA TO ESTABLLISH MECHANISMS FOR THE SALE OF PETROLEUM TO COVER THE DEFICITS OF THOSE COUNTRIES. HE ALSO REFERRED TO THE CREATION OF A SYSTEM OF FINANCING PETROLEUM SALES TO THE CENTRAL AMERICAN COUNTRIES WHICH WOULD PERMIT DEFERRED PAYMENTS IN CURRENCIES OR PRODUCTS OF THOSE COUNTRIES.

4. FROM A RELIABLE DIPLOMATIC SOURCE WE HAVE A REPORT THAT VENEZUELA HAS DEFINITELY REACHED AN AGREEMENT TO SUPPLY PERU 20,000 B/D FROM ROYALTY OIL. PERU WOULD PAY ONE-HALF THE ROYALTY PRICE OF $14.13 PER BARREL ON A CURRENT ACCOUNT BASIS AND ONE-HALF WITH PERUVIAN OIL IN THE FUTURE WHEN THAT COUNTRY'S TRANS-ANDEAN PIPELINE COMES ON STREAM.
THUS, THE CURRENT PRICE OF VENEZUELAN OIL TO PERU WOULD BE SOMETHING OVER $7 PER BARREL.

5. WE HAVE NO INFORMATION ON THE REPORTED NEGOTIATIONS WITH ARGENTINA. FOR CENTRAL AMERICA, AT THE MOMENT WE ONLY KNOW THAT THTE GOV IS CONTEMPLATING SOME FORM OF BALANCE OF PAYMENTS RELIEF (REF C) AND POSSIBLY THE COSTA RICAN REFINRY PROJECT.
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